Churchill

1987 ANNUAL REPORT

Corporate Profile

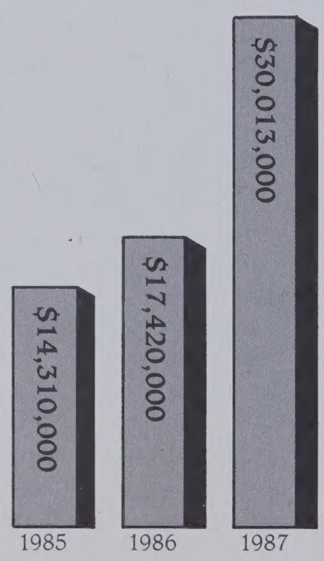
The Churchill Corporation *is a diversified investment and holding company with assets in excess of $40,000,000 and shareholders' equity in excess of $30,000,000. Its principal business activities are corporate investment, real estate development, and financial and advisory services.*

The Churchill Corporation was formed in Edmonton in 1981. The company's initial focus on real estate development shifted in 1984 and an aggressive diversification program was begun. Investments were sought in businesses having strong management, a high service orientation and a need for expansion capital.

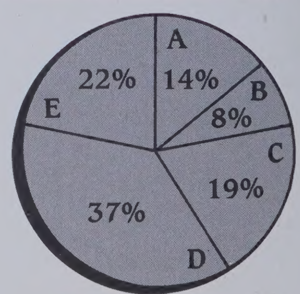
Concurrently, The Churchill Corporation developed expertise in corporate and finacial restructurings.

Since 1985 The Churchill Corporation has increased its shareholders' equity by over 100 percent. The company currently has in excess of 300 shareholders. Its directors and shareholders include a broad cross-section of Alberta's business and professional communities and form an important business referral network. The Class "A" Common Shares of The Churchill Corporation (9,124,607 shares outstanding) are listed for trading on The Alberta Stock Exchange.

Shareholders' Equity



Asset Mix - 1987



A Cash & Term Deposits $5,884,927
B Amounts Receivable $3,155,029
C Corporate Investments $7,986,293
D Rental Properties $15,572,991
E Development Properties $9,293,609

Chairman's Report

To the Shareholders

Your company has made excellent progress this year and it is a pleasure to present our 1987 Annual Report.

***Management Committee** (left to right): Richard B. Innes, Emile L. Beaudry, Gary G. Campbell, Ernest F. Stevens and Terrance J. Norman.*

The Churchill Corporation's net income for 1987 was $1,004,699, compared to a loss of $294,983 in 1986. Net book value per common share has increased from $2.45 at December 31, 1986 to $2.58 at December 31, 1987.

Several major initiatives in 1987 have affected the profile of your company. A successful rights offering in January and completion of outstanding subscriptions have bolstered the equity capital of the company. The amalgamation with A.I.L. - Alberta Investments Ltd. in June capped a profitable corporate restructuring project. The amalgamation with Churchill SBEC Ltd. in November has resulted in a more effective management structure and in a broadened asset and equity base. Upon completion of this amalgamation, the Class "A" Common Shares of The Churchill Corporation became listed on the Alberta Stock Exchange.

The programs completed during 1987 have considerably enhanced Churchill's financial position. The assets of the company have increased 35% to stand at $41,892,849 and shareholders' equity has increased 72% to stand at $30,013,242. Liabilities declined modestly during the year to result in a very conservative debt to equity ratio of 0.4:1. Churchill's impressive balance sheet strength will be a key factor in the company's continuing progress.

It has been an exciting year for each of our operating divisions. The Corporate Investments program has accelerated during the year. Your management has proven out skills in corporate restructurings and other specialty Financial & Advisory Services which will form the basis of major emphasis in this area on an ongoing basis. The Real Estate division brought new development projects on stream and moved forward with plans on others. The maturing of these projects is expected to be a favourable influence on future operating results.

Churchill's financial results for 1987 represent a significant improvement from last year's position. The progress has been fueled by additions to our capital and human resources and by entrepreneurial initiatives from your Board of Directors and Management. The impacts of continuing volatility in Alberta's economy and the more recent volatility in global financial markets are not yet clear. However, such volatility can be regarded as fertile ground for opportunities which will be vigorously pursued and we remain optimistic about the prospects for the future.

Gary G. Campbell, Q.C.
Chairman and
Chief Executive Officer

March 9, 1988

Report on Operations

The program of diversification and growth that The Churchill Corporation started in 1984 was a positive factor in the operating results for 1987. Total assets of the company have grown 35% from $30,958,742 at December 31, 1986 to $41,892,849 at December 31, 1987. Shareholders' equity has grown 72% from $17,419,775 to $30,013,242 over the same period. Liabilities now stand at only 28% of total assets.

A working session of the Management Committee.

Corporate Investments

During 1987 a further investment in The Marlin Travel Group Ltd. was made by way of convertible securities. Also 60,000 common shares in Northwest Drug Company Limited and a limited partnership unit of SPURT Investment Fund were acquired through an amalgamation with A.I.L. - Alberta Investments Ltd. on June 30, 1987. Profits were realized on the sale of other securities held by A.I.L. - Alberta Investments Ltd. in a financial restructuring program.

A key contributor to growth in the Corporate Investments division was the acquisition of the investment portfolio of Churchill SBEC Ltd. through an amalgamation on November 30, 1987. The most recent investments by Churchill SBEC Ltd. include equity positions in Brown's Paper Products Ltd. - an Edmonton based manufacturer and distributor of warehouse products (operating as Shippers Supply), and in Mayfield Twin Arenas and Fitness Centre Ltd. - a sports complex with two hockey rinks and a racquet and fitness club.

The Corporate Investments portfolio has grown 36% from $5,866,751 at December 31, 1986 to $7,986,293 at December 31, 1987.

Real Estate *personnel include (left to right): Bob Walker, Derek Getty, Eva Chalmers and Ernie Stevens.*

Accounting and administration *support is provided by (left to right): Garry Ollis, Pat Christopherson and Renita Stykalo.*

Financial & Advisory Services

Revenues in the Financial & Advisory Services division came chiefly from four sources. Management fees respecting Churchill SBEC Ltd. were earned prior to the amalgamation. Advisory fees were generated from the restructuring program for A.I.L. - Alberta Investments Ltd. Development fees were received for taking a lead role in a real estate joint venture. And interest and other revenues were earned from assets not directly associated with the other two operating divisions. Recent successes in this division are expected to lead to greater emphasis and activity for the Financial & Advisory Services division in the future.

Real Estate

While there were no substantial real estate sales during 1987, the value of several properties was proved-up or enhanced. The final phase of the shopping plaza at 97 Street and 128 Avenue is under construction and the project has an exceptionally strong tenant list. Fairwoods on 7th is a plaza nearing completion at 107 Avenue and 123 Street. The neighbourhood orientation of this project's architecture and tenants has received strong local acceptance and support. Early in 1988 arrangements were finalized to build a 11,200 square foot building at Westgate Business Park to be leased to Kraft Limited/Limitee.

Summary

Amalgamations completed in 1987 are expected to improve managerial effectiveness on an ongoing basis. As well, the acceleration of Churchill's Corporate Investment program, the growing track record in Financial & Advisory Services, and the maturing of the Real Estate portfolio are all expected to contribute to operating results in the years ahead.

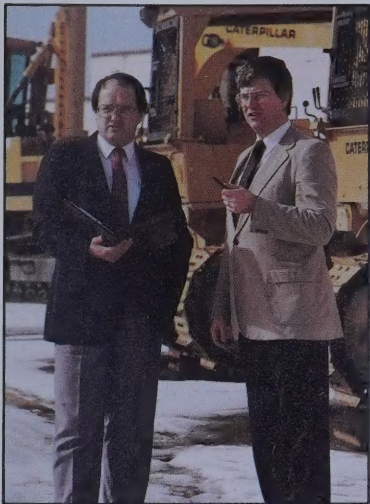
Corporate Investments

The main thrust of The Churchill Corporation's diversification program since 1984 has been in Corporate Investments. This division seeks investments in companies that have strong management, a high service orientation, and a need for expansion capital. Churchill's financial involvement, along with the experience of its management team and its network of business contacts, can add considerable value to the affairs of investee companies.

As at December 31, 1987, the largest corporate investment in Churchill's portfolio was common shares and convertible securities of The Marlin Travel Group Ltd. This equity injection by Churchill in 1985 has helped Marlin Travel build a national branch infrastructure. This company has become the largest Canadian travel agency and is now exceeding $400,000,000 in annual travel bookings.

Existing investments in Denny Andrews Ford Sales Inc. and Western Crude Processors Ltd. continued to be held throughout 1987. Holdings of 574,240 common shares in Coho Resources Ltd. were sold during the year for cash consideration of approximately $915,000. Much of the growth in the Corporate Investments portfolio in 1987 occurred as indirect acquisitions through amalgamations.

The Marlin Travel Group Ltd. *is becoming an influential player in the Canadian travel industry.*



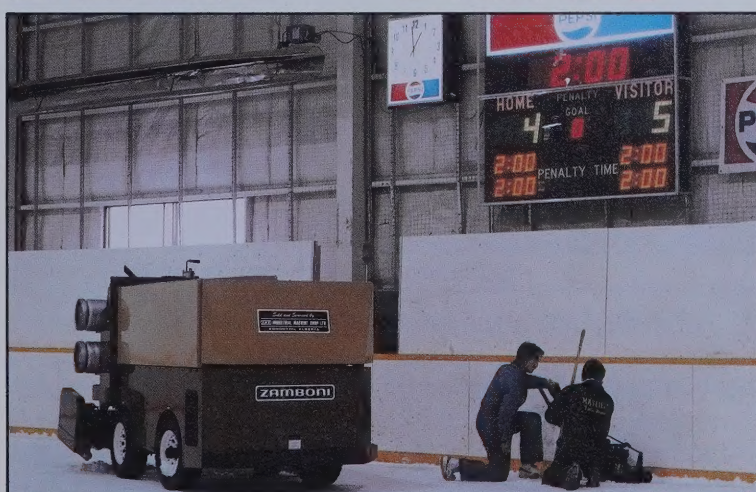
ACT Computer Services Ltd. *has a specialty in fleet management software.*

Brown's Paper Products Ltd. *manufactures and distributes a wide range of warehouse supplies.*

On June 30, 1987 a form of amalgamation occurred with A.I.L. - Alberta Investments Ltd. ("A.I.L."). Many of the securities held by A.I.L. were profitably sold in the following three months and two investment positions were retained. Churchill currently holds 60,000 common shares of Northwest Drug Company Limited - a Western Canadian wholesaler and distributor of pharmaceuticals and other health related products, and a limited partnership unit in SPURT Investment Fund - a Calgary based venture investment pool specializing in seed capital and technological innovation.

On November 30, 1987 a form of amalgamation occurred with Churchill SBEC Ltd. ("SBEC"), a previously affiliated company which also carried on corporate investment activity. Shares in SBEC were exchanged for 3.3 Class "A" Common Shares in Churchill and SBEC became a wholly owned subsidiary. SBEC investments include interests in ACT Computer Services Ltd., Krahn's Homemade Style Dressings Ltd., Russell Technologies Inc., Brown's Paper Products Ltd., North American Coach Inc., Elcor Elevator Services Corporation, Tower Aircraft Hardware Inc., Hughes-Alta Oilfield Services Ltd. and Mayfield Twin Arenas and Fitness Centre Ltd.

In addition to longer term equity holdings, the Corporate Investments division has the financial resources to directly participate in corporate and financial restructuring programs being sponsored by the Financial & Advisory Services division. This unique combination of capital resources and human skills can result in profitable transactions and in holdings which take advantage of volatile economic times.



Mayfield Twin Arenas and Fitness Centre Ltd. *maintains high standards of service.*

Financial & Advisory Services

Brainstorming and computer modelling contribute to successful financial restructuring projects.

The main sources of growth in the Financial & Advisory Services division are expected to be advisory fees from corporate and financial restructuring programs and development fees from real estate projects. These activities require a committed and highly trained team of management professionals that has the flexibility and diversity to respond quickly to a wide range of challenges and opportunities. This division plays an important role in balancing the longer term nature of commitments in Real Estate and Corporate Investments with the need for shorter term profitability. The generation of fee revenue from the Financial & Advisory Services division can also result in direct financial participation opportunities for Churchill's other divisions.

A number of factors have contributed to the growing need for the application of skilled human resources to complex legal, financial and business situations along with the financial clout to carry through corporate restructuring programs (a combination sometimes referred to as merchant banking). The reorientation of traditional financing sources towards central Canada and the volatility of the public equity markets have resulted in a heightened need for sources of private capital to foster the growth of Alberta-based enterprises. The Churchill Corporation has emerged as a company with the people, the capital and the vision to meet such a challenge.

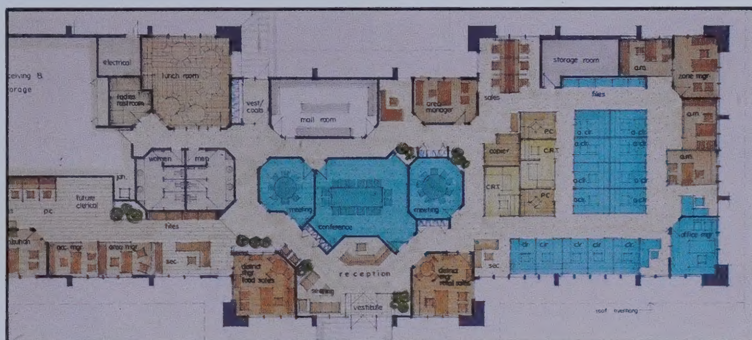
Real Estate

The Real Estate division has continued its program of maintaining and enhancing the value of the company's real estate holdings. Properties are selected from the portfolio for development to maximize value prior to disposition. The Churchill Corporation stresses superior quality in the construction of its projects. The company has established a reputation for creativity and versatility in its approach to development. Several properties are currently in varying stages of active transition.

Westgate Business Park is a deluxe suburban office park located in West Edmonton. Its award winning design and quality construction has attracted premiere tenants such as General Motors Acceptance Corporation of Canada, Limited, Borg Warner Canada Acceptance Ltd. and Kraft Limited/Limitee to the nine building (65,000 square feet) site. Development proposals are being considered for a 12,000 to 15,000 square foot building as the final phase to this project.

Plaza 97 is a commercial plaza at 97 Street and 128 Avenue in Edmonton. It is located on an outbound primary commuter artery and has well established tenants. The site consists of three buildings sharing 20,000 square feet of space such as Seven-Eleven Stores, The Fishin' Hole, Treasury Branch and Boston Pizza International.

Westgate Business Park *is a deluxe suburban office complex.*



Space planning *services were provided for Kraft Limited at Westgate Business Park.*

Fairwoods on 7th *has award winning architecture.*

Fairwoods on 7th is a commercial plaza at 107 Avenue and 123 Street in Edmonton. The project's award winning architecture captures the character of the Groat Estates neighbourhood and balances community needs to the advantages of a high traffic location. A pre-leasing program is under way for Phase II of the development on the property adjacent to the existing buildings. Construction is expected to begin upon completion of the pre-leasing program.

Strathcona Centre has high site traffic with its Greyhound Bus Depot.

Strathcona Centre houses the South Side Depot for Greyhound Bus Lines. The adjoining commercial/retail space is oriented towards automotive service, car rental and other business that can benefit from the central arterial location, high site traffic, and access to distribution facilities.

Blackburn Estates is a proposed residential subdivision in South Edmonton featuring prestigious ravine lots on Blackmud Creek. An Area Structure Plan respecting this project is expected to be considered by the appropriate regulatory bodies in the near future.

Financial Report

Financial Highlights

	1987	1986
Revenue	$ 4,110,225	$ 6,970,422
Net Income (Loss)	1,004,699	(294,983)
Total Assets	41,892,849	30,958,742
Total Liabilities	11,879,607	13,538,967
Total Equity	30,013,242	17,419,775
Debt/Equity Ratio	0.4:1	0.8:1
Net Income (Loss) Per Common Share	$0.11	($0.05)
Equity Per Common Share	$2.58	$2.45
Common Shares Outstanding	9,124,607	6,303,829

Auditors' Report

To the Shareholders of The Churchill Corporation:

We have examined the consolidated balance sheet of The Churchill Corporation as at December 31, 1987 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles in Canada applied on a basis consistent with that of the preceding year.

Deloitte Haskins + Sells

Chartered Accountants

Edmonton, Alberta
February 29, 1988

The Churchill Corporation

Consolidated Balance Sheet
December 31, 1987

	1987	1986
Assets		
Cash and Term Deposits (Note 2)	$ 5,884,927	$ 108,558
Amounts Receivable (Note 3)	3,155,029	2,056,995
Corporate Investments (Note 4)	7,986,293	5,866,751
Rental Properties (Note 5)	15,572,991	14,475,313
Development Properties (Note 6)	9,293,609	8,451,125
	$41,892,849	$30,958,742
Liabilities		
Amounts Payable (Note 7)	$ 2,114,532	$ 3,518,133
Term Debt (Note 8)	9,765,075	10,020,834
	11,879,607	13,538,967
Shareholders' Equity		
Shareholders' Equity (Note 9)	30,013,242	17,419,775
	$41,892,849	$30,958,742

Approved by the Board:

Director

Director

The Churchill Corporation

Consolidated Statement of Income
Year Ended December 31, 1987

	1987	1986
Revenue		
Corporate Investments	$1,411,360	$ 255,442
Financial & Advisory Services	1,079,042	702,209
Rental Operations	1,619,823	1,376,239
Real Estate Sales	—	4,636,532
	4,110,225	6,970,422
Expenses		
Rental Operations	657,504	734,706
Real Estate Sales	—	3,747,010
General Operating	1,144,033	982,571
Interest	1,303,989	1,801,118
	3,105,526	7,265,405
Net Income (Loss)	$1,004,699	$ (294,983)
Basic and Fully Diluted Earnings (Loss) Per Common Share	$0.11	($0.05)

Consolidated Statement of Retained Earnings
Year Ended December 31, 1987

	1987	1986
Balance, Beginning of Year	$1,371,169	$1,046,690
Net Income (Loss)	1,004,699	(294,983)
Transfer from Revaluation Equity	11,127	619,462
Dividends on Preferred Shares	(266,494)	—
Balance, End of Year	$2,120,501	$1,371,169

The Churchill Corporation
Consolidated Statement of Changes in Financial Position
Year Ended December 31, 1987

	1987	1986
Operating Activities		
Net Income (Loss)	$1,004,699	$ (294,983)
Add (Deduct) Non-cash Items		
Net Equity Income	(407,331)	(28,418)
Depreciation and Depletion	201,784	169,371
Gain on Sale of Assets	(936,231)	(787,067)
Decrease in Accounts Receivable	28,206	1,641,129
Decrease in Amounts Payable	(1,533,602)	(877,948)
Decrease in Deferred Foreign Exchange	—	(70,446)
Cash Used in Operations	(1,642,475)	(248,362)
Investing Activities		
Common Share Dividends Received	1,419,416	125,191
Proceeds on Sale of Corporate Investments	5,489,275	617,246
Proceeds on Sale of Real Estate	—	4,533,541
Principal Payments of Agreements Receivable	348,936	1,366,203
Additions to Corporate Investments	(7,595,482)	(1,266,462)
Additions to Real Estate	(2,078,798)	(3,450,617)
Advances on Agreements Receivable	(1,497,511)	(1,233,550)
Cash (Used in) Provided by Investments	(3,914,164)	691,552
Financing Activities		
Issuance of Term Debt	3,550,688	3,351,798
Issuance of Share Capital	12,154,503	3,912,769
Term Debt Repayment	(3,806,448)	(7,217,987)
Preferred Dividends Paid	(266,494)	—
Shares Repurchased	(299,241)	(508,142)
Cash Provided by (Used in) Financing	11,333,008	(461,562)
Increase (Decrease) in Cash	5,776,369	(18,372)
Cash, Beginning of Year	108,558	126,930
Cash, End of Year	$5,884,927	$ 108,558

The Churchill Corporation
Notes to the Consolidated Financial Statements
December 31, 1987

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada, and reflect the following policies:

Consolidation — The consolidated financial statements include the accounts of all of the subsidiaries and the company's proportionate share of the assets, liabilities, income and expense of joint ventures.

Corporate investments — Corporate investments include significant equity interests in operating companies. These interests, where Churchill has significant influence, are accounted for on the equity basis. Where the investee's year end precedes December 31, the company's share of earnings is determined up to the investee's year end, adjusted for the impact of any significant subsequent events. Any goodwill on acquisition is amortized on a straight-line basis over periods not exceeding 40 years.

Real estate — Rental properties are recorded at cost, except for those properties recorded at appraised value as a result of a business combination in August 1981. Development properties are recorded at the lower of cost or net realizable value.

Depreciation on buildings and improvements is provided on a 5% sinking fund basis over periods from 25 to 50 years. Equipment is depreciated on a straight-line basis over 10 years.

Carrying costs, including property taxes and interest, are capitalized on properties under development during construction and on properties held for development. Rental losses during a reasonable lease-up period are capitalized on newly developed properties. Such costs are capitalized only if the resultant carrying value does not exceed estimated net realizable value.

Leasing costs on commercial properties are capitalized and amortized over the lease period. Initial lease costs on residential properties are capitalized and depreciated with the building.

Income from the sale of properties is recognized when the company has fulfilled all material conditions and has received a down payment that is appropriate in the circumstances.

Foreign exchange — All foreign assets, liabilities, income and expenses are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Gains or losses on translation are included in the statement of income.

2. Cash and Term Deposits

Cash and term deposits include $4,295,260 (1986 - nil) held by a subsidiary registered under the Small Business Equity Corporations Act (Alberta). Under the Act, these funds must be maintained in liquid reserves or eligible investments of the subsidiary until applicable provisions of the Act expire in June 1992.

3. Amounts Receivable

	1987	1986
Mortgages, loans and agreements - 0 to 10%	$ 432,486	$ 204,842
- 11 to 16%	1,842,160	1,043,539
Accounts receivable and other	961,808	964,845
Allowance for doubtful amounts	(81,425)	(156,231)
	$3,155,029	$2,056,995

4. Corporate Investments

	1987	1986
Equity investments		
Debentures - 12-15%	$ 278,144	$ —
Preferred shares - 8-10%	3,716,250	150,000
Net equity	1,842,671	2,559,167
	5,837,065	2,709,167
Marketable securities		
At cost which approximates market	1,527,469	2,402,591

Oil and gas interests, at cost - net of depletion of $61,758 (1986 - $56,205)	621,759	754,993
	$7,986,293	$5,866,751

Corporate investment revenue consists of:

Equity income	$ 427,687	$ 48,777
Dividends	281,384	220,263
Gain (loss) on sale of securities	677,969	(69,879)
Other	44,676	76,640
Amortization of goodwill	(20,356)	(20,359)
	$1,411,360	$255,442

Unamortized goodwill included in equity investments amounted to $395,693 (1986 - $416,049). Preferred shares have cumulative dividend rights and are redeemable from profits of the investees. Preferred dividends in arrears, which have not been recognized in the accounts, amounted to $65,484 (1986 - nil).

5. Rental Properties

	1987			1986
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Commercial	$13,386,669	$413,844	$12,972,825	$11,854,639
Residential	2,787,423	187,257	2,600,166	2,620,674
	$16,174,092	$601,101	$15,572,991	$14,475,313

6. Development Properties

	1987	1986
Under development	$ 3,432,113	$ 385,718
Held for future development	6,777,530	9,059,407
	10,209,643	9,445,125
Less provision for decline in value	916,034	994,000
	$9,293,609	$8,451,125

7. Amounts Payable

	1987	1986
Demand loans	$ 583,616	$3,110,316
Accounts payable and other	1,530,915	407,817
	$2,114,531	$3,518,133

Demand loans include bank loans of $150,000 which are secured by a demand debenture, under which certain assets are specifically pledged.

8. Term Debt

	1987	1986
Bank loans - 9.25% to 10.75% (rates vary with prime)	$1,763,973	$ 4,433,986
Mortgages - 8.75% to 12.25%	4,812,462	5,586,848
Convertible debentures - 8%	3,188,640	—
	$9,765,075	$10,020,834

Interest capitalized to development properties	$30,631	$ 97,374

Term bank loans whose rates vary with prime, are secured by a demand debenture and by specific assets. Mortgages are secured against specific rental properties. The convertible debentures contain a six month retraction provision exercisable on June 30, 1988 and are due on June 30, 1992.

Principle amounts due in the next five years and thereafter are as follows:

1988	$2,628,617
1989	118,419
1990	2,014,752
1991	49,653
1992	4,287,980
1993 and after	665,654
	$9,765,075

9. Shareholders' Equity

	1987	1986
Share capital (Note 9a)	$23,797,912	$11,942,650
Retained earnings	2,120,501	1,371,169
Revaluation equity (Note 9b)	4,094,829	4,105,956
	$30,013,242	$17,419,775

(a) Share capital

Authorized

6,500,000 8% Series A cumulative redeemable first preferred shares. Redemption, at $1.00 per share, is based on 20% of net cash flow beginning in 1992 with full redemption by December 31, 1995.

3,500,000 first preferred shares issuable in series with rights set by the directors.

10,000,000 second preferred shares issuable in series with rights set by the directors.

110,000,000 Class A common shares.

Issued

	Shares	Share Capital	Contributed Surplus	Total
Series A first preferred shares 8.0% cumulative				
Balance, beginning of year	2,000,000	$ 2,000,000	$ –	$ 2,000,000
Issued from treasury	4,500,000	4,500,000	–	4,500,000
Balance, end of year	6,500,000	6,500,000	–	6,500,000
Class A common shares				
Balance, beginning of year	6,503,829	3,967,117	6,975,533	10,942,650
Add				
Issued from treasury	2,970,778	7,654,503	–	7,654,503
	9,474,607	11,621,620	6,975,533	18,597,153
Less				
Shares purchased for cancellation	(150,000)	(119,295)	(179,946)	(299,241)
Issued shares held by affiliate	(200,000)	(200,000)	(800,000)	(1,000,000)
Balance, end of year	9,124,607	11,302,325	5,995,587	17,297,912
		$17,802,325	$5,995,587	$23,797,912

Options and conversion rights

Rights to acquire 3,347,530 Class A common shares are outstanding at prices ranging from $3.00 to $5.00 exercisable until December 31, 1992.

The company has the right to cause a preferred shareholder to convert up to $1,500,000 of the Series A first preferred shares into common shares at a price ranging from $2.60 to $3.60 per share if the average trading price of the common shares exceeds the conversion price by 30% for twenty consecutive trading days.

(b) Revaluation equity

Revaluation equity arose in August 1981 through valuation at fair market value of the assets combined in the multiple mergers on that date. The amount is transferred to retained earnings as an offset to depreciation and upon realization through sale.

10. Related Party Transactions

	1987	1986
Owing to		
A company with interlocking directorships	$ 995,120	$1,519,260
Directors and their controlled companies	$ 291,902	$ 578,693
Due from		
Joint ventures or investees in which the company has significant equity	$2,259,045	$ 604,134

The above amounts arise in the normal course of business and are on terms similar to transactions with non-related parties.

11. Income Taxes

Income taxes have not been provided for because, after deduction of dividends, equity income and other non-taxable items, the company has no taxable income. Losses available to reduce future income for tax purposes total approximately $2,260,000 and expire from 1990 to 1994.

12. Acquisitions

During 1987, the company acquired two businesses which have been accounted for as purchases; A.I.L. - Alberta Investments Ltd. and Churchill SBEC Ltd., both of which are investment holding companies. The assets of Churchill SBEC continue to be held while the majority of the assets of A.I.L. were sold. The net assets acquired at assigned values, and the financing of these acquisitions are summarized as follows:

Cash	$13,752,255
Amounts receivable	109,257
Corporate investments	5,845,959
	19,707,471
Liabilities assumed	3,852,947
Net assets acquired	$15,854,524
Financed by	
Issuance of common shares	$ 6,224,018
Issuance of 8% debenture	3,187,800
Cash	6,442,706
	$15,854,524

The consolidated operating results include the operating results of A.I.L. for six months and Churchill SBEC for three months.

13. Contingencies

(a) The company is contingently liable for the repayment of indebtedness of an investee and joint venture partners in the amount of $1,130,000 at December 31, 1987.

(b) The company has net lease obligations on office space of $141,600 per year through September 1992.

(c) A subsidiary of the company is required to invest and maintain 70% of its equity capital in eligible investments until June 1992 in order to avoid the recapture provisions of the Small Business Equity Corporations Act. The subsidiary has until March 31, 1988 to increase eligible investments by $1,383,135 to achieve the above level.

(d) Amounts payable include management's estimate, subject to final disposition, of the liability arising from the dissent of certain former shareholders of Churchill SBEC Ltd. to the amalgamation with a subsidiary of the company on November 30, 1987. Any ultimate liability in excess of that provided for will be charged to share capital in Churchill SBEC's accounts.

14. Comparative Figures

Certain of the comparative balances for 1986 have been restated to conform with the current year's presentation.

Corporate Directory

Board of Directors

Jack N. Agrios, Q.C.

Gary G. Campbell, Q.C.

R. Gary Elliott

Denis J. Horne

Robert V. Lloyd, Q.C.

Terrance J. Norman

Allan S. Olson

Robert G. Peters

David D. Schuster

R. Alexander (Sandy) Slator

Ernest F. Stevens

Kenneth C. Webb

Senior Management Personnel

Gary G. Campbell, Q.C.
Chairman and C.E.O.

Terrance J. Norman
President and C.O.O.

Ernest F. Stevens
Senior Vice President

Richard B. Innes, C.A.
Vice President Finance

Emile L. Beaudry
Manager Corporate Investments

Garry B. Ollis, C.A.
Controller

Legal Counsel

Cook, Duke, Cox, Tod & Kenny

Milner & Steer

Auditors

Deloitte Haskins + Sells

Transfer Agent

The National Trust Company
10072 Jasper Avenue
Edmonton, AB T2P 3B2

The National Trust Company
1008, 324 - 8th Avenue S.W.
Calgary, AB T2P 3B2

Bankers

Treasury Branch

Canadian Imperial Bank
of Commerce

Exchange Listing

Alberta Stock Exchange
Trading Symbol: CUQ

Executive Offices

2300 Scotia Place
10060 Jasper Avenue
Edmonton, AB T5J 3R8
Telephone: 424-8230
Telecopier: 425-6682